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Chair

Mr. Dan Ruimy

Standing Committee on Industry, Science and Technology

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● (1530)

[*English*]

The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)): Welcome everybody to meeting 123. That's a song, isn't it, *1234* by Feist? There we go.

Welcome to meeting 123 of the Standing Committee on Industry, Science and Technology as we continue our in-depth statutory review of the Copyright Act.

However, before we move on to our panel of witnesses, we have some committee business to take care of. We find ourselves without a vice-char. Pursuant to Standing Order 106(2), the first vice-chair must be a member of the official opposition.

I am now prepared to receive motions from the floor for the first vice-chair.

Mr. Majid Jowhari.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair. I'd like to nominate MP Matt Jeneroux as vice-chair on the Conservative side.

Mr. Matt Jeneroux (Edmonton Riverbend, CPC): Let that be noted.

The Chair: Let that be noted. Nice reaction for the record.

Are there any more nominations from the floor?

Mr. Lloyd Longfield (Guelph, Lib.): I'm tempted to nominate Mr. Lake because he isn't here. That works really well.

The Chair: Are there any further motions? If there's more than one candidate....

Is it the pleasure of the committee to adopt the motion?

Come on, be resounding.

Some hon. members: Yes.

(Motion agreed to)

The Chair: I'd like to declare Matt Jeneroux the duly elected first vice-chair of the committee. Congratulations.

Are there a few words you would like to add?

[*Translation*]

Mr. Matt Jeneroux: Thank you.

[*English*]

The Chair: All right.

We will now go back to our regularly scheduled TV broadcast. We are televised.

With us today from the Society of Composers, Authors and Music Publishers of Canada, we have Eric Baptiste, chief executive officer, and Gilles Daigle, general counsel and head of legal services. From the Canadian Private Copying Collective, we have Lyette Bouchard, chair, and Lisa Freeman, executive director. From Re:Sound—that is one word, right?—Music Licensing Company, we have Ian MacKay, president. Finally, from the Association Québécoise de l'industrie du disque, du spectacle et de la vidéo, we have Solange Drouin, vice-president of public affairs and director general.

You each have up to seven minutes.

We'll get started with Mr. Baptiste.

● (1535)

[*Translation*]

Mr. Eric Baptiste (Chief Executive Officer, Society of Composers, Authors and Music Publishers of Canada): Thank you very much, Mr. Chair.

Good afternoon, members of the committee. My name is Eric Baptiste, and I am the chief executive officer of SOCAN. I am joined this morning by Gilles Daigle, SOCAN's general counsel.

SOCAN is a society that administers public performance rights of authors, composers and music publishers. We currently have over 150,000 members across the country, and we also represent the world's repertoire of musical works in Canada.

For many years, SOCAN has been advocating for Canada to establish robust copyright legislation, so that creators would be compensated fairly and equitably. The Copyright Act has always been and always will be the cornerstone of Canada's entire creative sector.

Copyright royalties have always been an essential part of our creators' compensation. That is now the case more than ever, given the technological changes we are going through that continue to emerge.

[*English*]

The contribution of copyright in a rapidly changing digital environment is becoming, more than ever, one of the centrepieces of creators' remuneration. I will now quote Minister Bains at the launch of the intellectual property strategy, where he said:

> We know IP is a critical ingredient in helping Canadian businesses reach commercial success. Canada's IP Strategy will make sure Canadians know the value of their intellectual property and how to leverage it to improve, innovate, increase profits and create middle-class jobs.

We hope this principle will guide your thinking as you prepare your report.

[*Translation*]

This afternoon, SOCAN wishes to focus on three aspects of the Copyright Act that we think should be updated.

The first aspect is the extension of the copyright protection term—which is currently 50 years after the author's death—to 70 years after their death.

[*English*]

With the current term of protection, Canada is one of the laggards at the international level. Our main trading partners, including the United States of America and the 28 members of the European Union, have long had a 70-year term after an author's death. Even Mexico's term is 100 years. Our creators are clearly less well protected here in Canada than abroad. I ask you directly this afternoon, does Canada want to continue to be in the same category as countries like North Korea or Afghanistan?

Some commentators—very few, to our knowledge—will tell you that increased copyright protection would be to the detriment of consumers. There is no evidence that we are aware of that the consumer would be disadvantaged with an extension of copyright protection. Let us look at the reality of many countries that have adopted 70 years after the author's death as a term. Music consumption in these countries, often more important than here in Canada, has continued to flourish over many years, with no measurable impact on users.

A second aspect that the committee should consider is the loophole created by subsection 32.2(3) of the act, which provides an exemption for so-called charitable organizations if their use of music happens in the interest of a charitable enterprise. To be clear, it is not SOCAN's intention to penalize charitable activities when conducted in the true sense of the word, but rather to prevent organizations that circumvent the act and try not to pay their dues.

Let me explain. Currently certain organizations, theatres, and festivals with budgets of sometimes several million dollars adopt the position that they are charitable organizations within the meaning of the Copyright Act because they have obtained this status for tax purposes. To close this loophole, we propose two changes. First, clarify that the exception applies only if the use of music is "without intent to gain". This is already the case in the exception applicable to agricultural and industrial fairs. Second, clarify that being a charitable organization within the meaning of the Income Tax Act is not in itself sufficient for the exception to apply for copyright.

● (1540)

[*Translation*]

The third aspect is related to the private copying levy.

The private copying system was created to make up for losses of revenue caused by certain media formats—namely cassettes and, later, blank compact discs.

We feel that the current system should be reviewed, and an element of technological neutrality should be introduced, so that new digital media that are now standard for private copying would be included. We are mainly talking about tablets and smart phones.

We are also advocating, like all music stakeholders, for a transition fund to support that significant use of our creators' musical works.

In addition to our three main points, we agree with the request of other groups who are advocating for doing away with the exemption of the first $1.25 million in revenue for commercial radios in terms of royalties for sound recordings and performers. The same goes for the current definition of "sound recording". Those are isolated situations that we find outdated and unfounded.

[*English*]

In closing, we must keep in mind that creators are entrepreneurs, and we must give them the necessary protections so they can benefit from their work. There have been huge changes in the way we consume music. Smart phones have become ubiquitous. Downloads and now streaming have surpassed physical product sales. More needs to be done to bring the Copyright Act into the modern era and to ensure balance between the rights of users and creators.

Thank you very much.

[*Translation*]

The Chair: Thank you very much.

Ms. Bouchard, go ahead.

Ms. Lyette Bouchard (Chair, Canadian Private Copying Collective): Thank you, Mr. Chair.

Members of the committee, thank you for inviting us to appear before you.

I am the chair of the Canadian Private Copying Collective. I am joined by Lisa Freeman, the collective's executive director.

In 1997, the Copyright Act of Canada was amended to allow Canadians to copy audio recordings to an audio recording medium for their private use. At the same time, the private copying levy was created, so that creators would receive compensation for the use of their music.

Under the act, manufacturers and importers of blank audio media pay a small levy for any imports and sales in Canada. Those levies are collected by the Canadian Private Copying Collective for its member societies, which represent performing artists, composers, music publishers and disk producers.

For many years, the private copying regime was an important source of revenues, generating over $300 million for 100,000 content creators, helping them continue to create and market important cultural content.

The wording of the Copyright Act originally aimed to make the private copying regime technologically neutral. However, the decisions of the Federal Court of Appeal and the previous federal government restricted it to blank CDs, which are now becoming obsolete.

As most consumers are currently copying music onto devices such as smart phones, the use of blank CDs to copy music is declining rapidly. As a result, the private copying revenues for content creators are also dropping rapidly.

In 2015-16, Canadians copied more than two billion music tracks, or double the number of copied tracks in 2004. However, copyright holders currently do not receive any compensation for the majority of those copies, including hundreds of millions of unauthorized copies on devices such as smart phones.

During the same period, annual revenues stemming from private copying levies decreased by 89%, going from a peak of $38 million in 2004 to less than $3 million in 2016.

What would have happened if Canada followed the European example in 2012, when the act was reviewed, and made the regime technologically neutral, so that levies would apply to smart phones and tablets? According to sales data for those devices, a levy of $3, which is roughly the equivalent of the European average, would have generated $40 million per year. That is an amount of $240 million lost, only between 2012 and 2017. Urgent action is needed.

The CPCC recommends that the government make the regime technologically neutral, so that it would be in line with the way Canadians consume music.

The solution is to amend the act, so that the regime would apply both to audio recording media and to devices.

The CPCC is also proposing that other minor amendments be made to the act. In that sense, it would be enough to clarify that the regime applies only to copies of a sound recording an individual has in their possession. However, we don't want there to be any confusion. Providing or obtaining music illegally, be it through an unlicensed online service or through stream ripping, or even, of course, by stealing an album in a store, is still illegal.

It should also be clear that the private copying regime must neither harm online music services nor legalize illegal services.

Whenever it is possible to do so, copyright holders license the fruit of their labour to those who want to use it. The private copying regime is not intended to compensate copies that cannot be controlled.

We need a permanent legislative solution, but, in the meantime, it is of the utmost importance to establish an interim fund of $40 million.

● (1545)

[*English*]

Ms. Lisa Freeman (Executive Director, Canadian Private Copying Collective): The private copying regime remains the best solution to what is an ongoing problem. Streaming may dominate the legal music market, but Canadians still value and make copies of music—over 2 billion a year since 2010—and the levy system is the best mechanism to compensate rights holders for copies that can't be licensed. It just needs to be amended so it can keep up with how Canadians consume music in a changing marketplace.

With minimal revisions, the private copying regime can be restored to what it was originally intended to be: a flexible, technologically neutral system that monetizes private copying that cannot be controlled by rights holders, without undermining legitimate online music services.

The process for setting levies would remain the same, as the CPCC would be required to file a proposed tariff with the Copyright Board and to prove, through empirical evidence, which devices and media are ordinarily used to copy music.

As it stands now, Canada is an outlier. Most countries in the EU, central and eastern Europe, embraced the technological shift years ago, and now have healthy private copying regimes that extend levies to a wide variety of media and devices, like smart phones and tablets.

A comprehensive global study of private copying produced in December of last year by CISAC, the international organization of authors' societies, called out Canada on the need for our regime to be "updated and adapted to new uses with levies on digital devices".

Without a legislative solution like the one that the CPCC now proposes, Canadians' private copying activity will remain illegal, and royalties to music creators to compensate for the massive private copying of their work will very soon be completely eliminated. Canadian music creators need to be paid for this extensive use of their work, just as the businesses producing and selling the devices used to make the copies all get paid. The private copying levy is not a tax, nor is it charity or a subsidy program. It is earned income.

The Copyright Board ultimately determines the value of the levy. However, CPCC's proposed levies will certainly be a small fraction of the cost of a smart phone or tablet, and will be comparable to the levy rates in many European countries, where the average levy payable on a smart phone, for example, is around $3, the price of a cup of coffee.

As always, the levy would be payable by manufacturers and importers of the media and devices. In fact, we all know that the cost of many smart phones and tablets is already subsidized for consumers by intermediary companies that provide these devices in a bundle with mobile network services.

We can't begin to stress how urgent the matter has become. At the same time as music creators have been losing revenue from private copying, their income from many other sources has also been in decline, in part due to additional exceptions to copyright introduced in 2012.

The individual Canadian artists and Canadian businesses whose music is copied for personal use can only produce and compete on the international stage if they are paid when their work is used.

We urge the government to immediately follow this parliamentary review with the introduction of legislation, so that the necessary minor amendments to the act can be made as soon as possible.

Thank you for your time, and we look forward to your questions.

The Chair: Thank you very much.

We're going to move to Mr. MacKay.

You have up to seven minutes.

Mr. Ian MacKay (President, Re:Sound Music Licensing Company): Thank you.

My name is Ian MacKay, and I am the president of Re:Sound Music Licensing Company. I welcome the opportunity to participate in this committee's critical work in reviewing the Copyright Act and its impact on the music industry and musicians.

Minister Joly has stated that Canada "requires a copyright framework that works well in the context of our fast-paced digital world and provides creators with opportunities to get fair value for their work", and Minister Bains has stated that we need a copyright framework that "effectively supports creativity and innovation."

I have one more quote and it's from an artist, the very talented and Juno award-winning artist William Prince, who said, and I'm paraphrasing a bit here, if you want me to build you a house, I have to have a reasonable expectation that I'm going to get paid for it.

As you've heard from many others, the Canadian recorded music industry has experienced significant disruption, shifting from an economy of dollars to one of pennies or micro-pennies. Critical changes are needed to address outdated and unnecessary subsidies and exemptions that are unfairly preventing creators from receiving fair compensation for their work.

So where does Re:Sound fit in? Re:Sound is the organization that collects and distributes equitable remuneration in Canada on behalf of more than 621,000 artists and sound recording owners, ranging from big businesses like the major record companies to small artist entrepreneurs. We represent them directly through our member organizations and through bilateral agreements with international collecting societies.

We are a not-for-profit organization. We collect from thousands of music users, including commercial radio, satellite radio, and individual businesses like gyms, restaurants, nightclubs, etc. The rights we administer are mandatorily collectively administered. Creators cannot prevent businesses from using their recordings or negotiate directly. They can only rely on collecting equitable remuneration after the fact.

These income streams are crucial for creators, and they go straight to creators. The money we collect is split fifty-fifty between artists and sound recording owners at source.

Both the music industry and the copyright laws that govern it must keep pace with the rate of technological change. That is why we at Re:Sound are always working hard to innovate. We do this by working with organizations like SOCAN on streamlining the licensing process, or, as Mark Schaan, the director general, marketplace framework policy branch, mentioned to the Standing Committee on Canadian Heritage a couple of weeks ago, through our Music Has Value research.

We do this research to help music users understand how music brings value to their business and how they can use it as a competitive advantage.

We also work to ensure we distribute royalties as efficiently as possible. This is reflected in our work to obtain full radio logs from ratio stations and work with other organizations, including Bell Media, to improve reporting of data and ensure that as much of every dollar is distributed to creators as possible. And once again, that's half to artists and half to sound recording owners.

But creators are missing out because of two outdated, unnecessary, and unfair exemptions to the Copyright Act that deprive them of over $60 million a year in income. As you've already heard from organizations ranging from the Canadian Federation of Musicians to ACTRA, Artisti, and Music Canada, these are fundamental issues that need to be fixed.

It's rare to get this type of consensus from such disparate groups representing very different parts of the music ecosystem.

The first exemption I'm going to talk about is the removal of $1.25 million radio royalty exemption. You've already heard about this from some other witnesses, but under the current act and since 1997, commercial radio stations have been exempt from paying royalties to performers and sound recording owners on their first $1.25 million in revenue, even when the station is part of a large profitable ownership group. This exemption costs rights holders approximately $8 million in lost income, and is an unwarranted and inconsistent subsidy to a highly profitable industry.

It's outdated and was intended to be a temporary measure but still exists over 20 years later. Internationally, no other country has a similar exemption, and the exemption does not apply to all rights holders. It doesn't apply to songwriter or publisher royalties, meaning that it's only performers and record labels that are asked to subsidize a very profitable industry. Commercial radio broadcasters play recorded music for about 81% of their programming time, so that's 81% of the "house" that William Prince referred to earlier. The creators of that music should be paid accordingly with no subsidies and no exemptions.

● (1550)

It's also an exemption that's only available to commercial radio broadcasters, so it's not technologically neutral. It doesn't apply to such newer forms of distribution of music as satellite radio, pay audio, and streaming. It's out of step with the rest of the world.

The second exemption is the definition of "sound recording" under the Copyright Act. Under the current act, the definition of sound recording precludes artists and sound recording owners from receiving royalties when their recordings are performed in TV and film soundtracks. Once again, this only applies to artists and sound recording owners, not to other rights holders, depriving them of approximately $55 million a year in lost royalties. When music is used in a TV show or a movie on Netflix, the composer, music publisher, and songwriter all receive public performance royalties, but the artist and sound recording owner do not. This disadvantages Canadian artists and puts Canada out of step internationally.

The compensation provided by such streams as equitable remuneration has become more critical to ensuring the livelihood of Canadians working within the industry. The profound impact of these two unfair and outdated exemptions cannot be overstated. The Copyright Act should be modernized to remove these subsidies and ensure that creators are paid whenever businesses commercially use their work. Doing this would have an immediate effect on the livelihood of artists.

Re:Sound is also a member of the Canadian Music Policy Coalition. We support the recommendations outlined in the documents submitted on its behalf. Many of them have been explained far more eloquently by others who have already appeared before the committee. They include continuing the important work that has been started on Copyright Board reform, updating the private copying levy to make it technologically neutral, and extending the term of copyright for authors from 50 to 70 years.

Thank you.

● (1555)

The Chair: Thank you very much.

[*Translation*]

Ms. Drouin, you have seven minutes for your presentation.

Ms. Solange Drouin (Vice-President of Public Affairs and Executive Director, Association québécoise de l'industrie du disque, du spectacle et de la vidéo): Thank you.

My name is Solange Drouin. I am the vice-president of public affairs and executive director of the Association québécoise de l'industrie du disque, du spectacle et de la vidéo, or the ADISQ.

I'm speaking today on behalf of some 250 independent entrepreneurs, be they producers of sound recordings, shows or videos, record companies, artist managers or other entrepreneurs, who are responsible for producing 95% of the country's francophone music content.

The independent industrial structure that characterizes Canada's francophone music production was born 40 years ago, and it is unique in the world. For support in the production and marketing of their works, Canadian francophone artists almost always turn to local entrepreneurs, small and medium-sized companies.

Everywhere else in the world, music production is dominated by three multinational companies: Sony Music, Warner Music Group and Universal Music Group. In the 1980s, those businesses left our market, and that enabled Canadian francophone artists and entrepreneurs to band together to create a truly dynamic ecosystem to which our public is now attached. This situation should make Canadians and our leaders proud.

Nevertheless, those companies are still present in our market; they are our competitors. Need we mention that their means are huge compared with ours? Although the entire music industry has been in turmoil for more than 15 years, independent companies are made much more vulnerable by the transformation of music's competitive market, which has become unfair and unbalanced. That specificity must be taken into account in this process.

You are inviting us to participate in a discussion on urgent amendments to be made to the Copyright Act for artists and content creators. The Copyright Act is an economic piece of legislation with a concrete impact on all Canadian content creators.

Essentially, compensation for Canadian music content creators comes from a combination of revenues and royalties for sound recordings and shows. For those two elements to be optimized, members of the artist's professional entourage dedicate all their energies to the effective marketing of their works.

The legislator—in other words, you—must ensure that all the relevant legislation is as efficient as possible. It's simple: without consumption, there are no revenues. However, when consumption occurs without adequate laws, there are no adequate revenues either.

So the work you are doing is fraught with consequences. You have an opportunity to finally remedy a number of elements in the act that are currently unfairly depriving content creators of revenues.

The Copyright Act, owing to many exceptions that have been added to it over the years, especially since 2012, is a real Swiss cheese today, and that considerably weakens its scope and causes significant harm to copyright holders—in other words, authors, artists and producers. This is an incomprehensible situation in a country like Canada, and it is imperative and urgent to put an end to it.

If, for social reasons, we as a people find that it is important to give certain citizen groups exemptions or special treatment, the price should not be paid by the music industry's copyright holders.

I will give an example I have been giving since 1992, so since I have been at the ADISQ. In Quebec, the decision was made that it was important for children to have breakfast every day, so it was decided to provide them with cartons of milk every morning. Dairy producers were not asked to pay for the milk, but we as a society accepted to take on that responsibility and to pay for it collectively.

If exemptions are to be given to certain groups because it is right to do so socially, that can be done in other ways, such as by providing tax credits, more specifically for charitable organizations. However, there is no need to make a group of creators bear the responsibility for that.

I would also like to remind you that, at the ADISQ, we approve of several proposals presented by witnesses who came before us and by others who are appearing with us today. I will go over them quickly, in a non-exhaustive manner.

● (1600)

First, the radio royalty exemption on the first $1.25 million in revenue should be eliminated.

Second, the definition of a "sound recording" should be amended so that artists and producers can receive royalties for the audiovisual use of their works.

Third, it is clear that the duration of copyright for musical works should be extended from 50 years to 70 years for songwriters.

Last, the private copying regime should be amended so that it applies to every type of device used.

The changes brought on by technology are obviously at the heart of the discussions related to the current review. The act needs to be in step with how people consume music, which it currently is not.

New technology makes tools available to everyone in the music ecosystem, from creators to consumers, including a wide array of professionals. That said, regardless of the tools used, every player still has the same role: creating a good song, promoting it, or listening to it.

Technology is not the key to creators' salvation. Block chain technology, for instance, may provide another way for them to collect royalties for the use of their work. But whether it will be more effective than existing methods is open for debate. One thing is certain: without strong legislation protecting artistic works and ensuring the payment of royalties for their use, enhanced royalty distribution tools will do little to help creators.

No one is denying the challenges the music industry is facing, but the scale of the losses bears repeating. Since 2004, sound recording sales have dropped by 72% in Quebec. Digital work sales, which never made up for the loss, are declining as well, having dropped by 42% since 2013.

Recently, music industry giants have seen a modest return to growth thanks to streaming. It is important, however, to consider that news carefully and insightfully: only a handful of artists are reaping the benefits—international stars with a global following.

ADISQ now estimates that 30 million streams are necessary in order for an album to be successful financially. Last year, the Quebec artist who came closest to that threshold received 8 million streams. The artist is actually an English-language band with a following outside the province. As you can see, 30 million streams is a very high threshold indeed.

In that landscape, it is untenable for rights holders to continue operating under an act that abounds with exceptions that are outdated, unwarranted, and unfortunately unique to the Canadian regime.

Cultural diversity is a principle Canadians hold dear, and content creators—authors, artists, and producers—are the pillars on which that principle rests. When they are no longer able to make a living from their craft, that diversity is directly threatened. It is happening as we speak. Fortunately, you have the ability to restore the power of a crucial tool to ensure the sustainability of a Canadian music industry that is professional and diverse.

As you can appreciate, urgent action is needed. In 2016, ADISQ was saying that the music industry had reached a tipping point, and now, two years later, we are edging closer to the point of no return. The time to turn things around is now.

There will always be music, to be sure, but will our music still be listened to?

Thank you.

● (1605)

The Chair: Thank you very much.

We will now move into questions and comments.

Mr. Baylis, you may go ahead for seven minutes.

Mr. Frank Baylis (Pierrefonds—Dollard, Lib.): Thank you, Mr. Chair.

Ms. Bouchard, I'm going to start with you.

You said that revenues from the private copying levy had dropped from $38 million to $3 million. Is that correct?

Ms. Lyette Bouchard: Yes, and it's even less than that.

Mr. Frank Baylis: The regime set out in the Copyright Act, which is still in force, was supposed to be technologically neutral, but there was a court challenge. What happened exactly?

Parliament intended to create a regime that was technologically neutral.

Ms. Lyette Bouchard: Yes.

Mr. Frank Baylis: The act applies to all the ways in which works are copied, does it not?

Ms. Lyette Bouchard: That is correct.

Mr. Frank Baylis: What happened, then?

Ms. Lyette Bouchard: Initially, a levy was imposed on certain types of media, in other words, blank cassettes and CDs. As you said, the act is supposed to be technologically neutral. The Copyright Board of Canada began allowing levies to be imposed based on the memory capacity of devices like MP3 players. When that levy was introduced, people who objected to it launched court challenges.

Since the language used in the English version of the Copyright Act is not as clear on the issue as the French version is, the Federal Court of Appeal ruled that a levy could not be imposed on the basis of the memory capacity of these devices. It involved technicalities, and the result was that we were no longer entitled to collect levies on MP3 players and other such devices.

Mr. Frank Baylis: You lost that revenue because of technicalities and the difference between the English and French wording. Is that correct?

Ms. Lyette Bouchard: Among other reasons.

Mr. Frank Baylis: It's one of the reasons why the levy no longer had to be collected?

Ms. Lyette Bouchard: Precisely.

The levy was then limited to blank CDs. There is no longer a levy on cassette tapes. Since they don't exist anymore, the Copyright Board of Canada eliminated the levy. Today, it applies only to blank CDs, whose use is declining. In fact, hardly any are sold anymore, and revenues from the private copying levy have gone from $38 million to $2 million.

Mr. Frank Baylis: You said that other countries had the levy in place. Can you name a few?

Ms. Lyette Bouchard: France, Italy, Germany, Portugal, Switzerland—the entire European Union, in fact.

Mr. Frank Baylis: You referred to a three-dollar levy per device. Is that something you will be asking for? Where does that number come from?

Ms. Lyette Bouchard: It comes from a very simple study. We looked at what E.U. countries were doing in terms of levies on devices such as tablets and smart phones. That's standard practice for all E.U. countries. The private copying levy sits at around three dollars, and that average strikes us as entirely appropriate.

Mr. Frank Baylis: I understand completely. Thank you.

[*English*]

Ms. Freeman, you mentioned that you would follow the proper processes to have that three dollars go through the Copyright Board. Is that right? Did I understand that correctly?

Ms. Lisa Freeman: Yes.

Mr. Frank Baylis: You don't want us to change any process. You would like it to be three dollars. You think that's a reasonable amount, given what other jurisdictions do. But you would apply as you normally do. Could you explain that?

Ms. Lisa Freeman: In the good old days when we had revenue, the CPCC engaged in quite extensive and high-calibre research to understand which media and devices were in use by Canadians for copying. We worked to develop valuation methodologies, which we would present to the Copyright Board and which would be challenged by objectors in a public proceeding. The Copyright Board, based on the evidence in front of it, would establish the rate.

The same process would remain. We are simply asking for minor —

Mr. Frank Baylis: You don't want to change the process.

Ms. Lisa Freeman: Correct.

Mr. Frank Baylis: There was a law that was supposed to be technologically neutral. For whatever reason, that part of technological neutrality got taken away for MP3 players. You'd like the government to reset it, to say it is technologically neutral and it does apply to tablets, telephones, and whatever else—

Ms. Lisa Freeman: Right.

Mr. Frank Baylis: —and that's it. Then you would go through the proper process of doing your studies and then going to the Copyright Board.

Ms. Lisa Freeman: That's right. If the evidence shows that there should be a levy on something, we have the opportunity to make that case in front of the Copyright Board.

Mr. Frank Baylis: Right now there is that exemption that stops you from going there, and that exemption, you're saying, was not actually foreseen by Parliament. It was not in the law.

Ms. Lisa Freeman: That's right.

Our understanding is that, when this legislation was drafted, it was intended to be technologically neutral. The Copyright Board agreed with the CPCC's interpretation that it could, in fact, in its current form, accommodate levies on devices, *supports* including devices, not just audio recording media.

● (1610)

Mr. Frank Baylis: For my own interest, I have a question.

How do you divvy up the pie on these things for artists? I understand how it could be on a radio station log, as Mr. MacKay said, but if you had this three dollars, or whatever, how would you decide which artists receive that?

Ms. Lisa Freeman: I can tell you the current approach. There are two stages at which that happens.

The first is established by the Copyright Board. According to the Copyright Act, the board is charged with allocating the proportion of the levies collected that should go to each class of rights holders—how much to the performers, how much to the makers, and how much to the authors and publishers. This has been established in the past based on evidence that the board requested and that has been shared.

Mr. Frank Baylis: How does it then go to the actual artists?

Ms. Lisa Freeman: Those pots are separate. They're allocated directly. Within that, the rights holders, the members of CPCC, have developed over time a methodology for distribution of those royalties.

There's a full explanation of it on our website. I'd be happy to share more details.

Mr. Frank Baylis: Based on popularity and all these things....

Ms. Lisa Freeman: We try to distribute it based on data as to—

Mr. Frank Baylis: Maybe you could submit that process, just so we have it formally.

Ms. Lisa Freeman: Absolutely.

Mr. Frank Baylis: Thank you for that.

[*Translation*]

Mr. Baptiste, you talked about the use of your music by non-profit organizations. You said you weren't opposed to it but noted that the exemption was being abused in some cases. I'd like you to elaborate on that a bit, to help me better understand what you mean.

Mr. Eric Baptiste: Clearly, we support charitable causes. Our members—Canada's creators and music publishers—are the first to provide free licences for benefit concerts in cases such as the Calgary floods or the Lac-Mégantic tragedy.

However, the charitable objective of certain organizations is less than obvious. Music festivals and performance venues come to mind. For tax purposes, they have obtained charitable status from the Canadian Revenue Agency and, so, are able to take advantage of the regime. A long-standing exemption in the Copyright Act allows them to avoid paying royalties to creators and artists for the performance of their music in a festival or venue. In SOCAN's view, this type of abusive use is not in line with what Canadian lawmakers intended. We therefore feel the exemption needs to be limited.

SOCAN would happily continue to provide licences to organizations with a genuine charitable objective free of charge.

Mr. Daigle could speak to that in greater detail, since he is more of an expert than I am.

The Chair: I'm sorry, but Mr. Baylis is out of time.

It is now Mr. Lloyd's turn.

[*English*]

Mr. Dane Lloyd (Sturgeon River—Parkland, CPC): Thank you, everyone, for coming today. I appreciate your testimony. It's an area that I'm learning more and more about every time we have different witnesses here.

My first question will be for Ms. Freeman or Ms. Bouchard.

We've hard a lot about levying charges on blank cassettes, blank CDs, and then the proposals from several witnesses to put charges on devices. Are there any other alternatives—and they don't have to be better alternatives—to levying charges on devices to recoup the funds that have been lost over years of technological change?

Ms. Lyette Bouchard: I don't think there's any permanent solution. As I understand it, the levy is the only solution. It's a simple way of doing this, and Lisa just explained how it can be introduced. For us, it's the only solution. On the interim fund, my emphasis is on the word "interim", as it would not be a permanent solution.

Mr. Dane Lloyd: I just worry that somebody who has an iPad, an iPhone, or any other device could be doing no private copying on it; yet, they pay a tax that would essentially amount to consumers subsidizing creators and artists for something they wouldn't personally use.

Ms. Lyette Bouchard: In Europe, many studies show that the introduction or the withdrawal of any levy didn't change a thing on the price of the tablet or the smart phone.

● (1615)

Mr. Dane Lloyd: So who took the hit on that? Every tax results in a dead-weight loss.

Ms. Lyette Bouchard: It's not a tax.

Mr. Dane Lloyd: It's a fee.

Ms. Lyette Bouchard: It's remuneration, not a tax.

Mr. Dane Lloyd: In economics, it would be considered an extra fee on the market price of the good. Who is taking the hit? Is it the producers? Is it the consumers?

Ms. Lyette Bouchard: As I said, many studies in Europe show that it doesn't change anything. The tablets or the iPhones were sold at the same price with or without this levy, which is, as we say, worth a cup of coffee. It's such a small amount that it didn't change anything in the price of it.

To answer the first part of your question, when the Copyright Board decides on a levy, it takes into account many, many factors. The numbers of people who copy and the numbers of copies made are taken into account. The levy is then higher if there are a lot of people copying, or lower if there are not as many. We believe there are a lot, because our study shows right now that there are still hundreds of millions.

Mr. Dane Lloyd: Your studies have shown that introducing a levy will have a minimal economic impact on sales of phones, consumer behaviour on the phones, but it will raise about $40 million.

Ms. Lyette Bouchard: Absolutely.

There's an example in some countries in Europe where there was a levy in one country and not in another country. People will not even go to the country where there is no levy applied, because it doesn't change anything on the amount of the....

Mr. Dane Lloyd: Thank you for that answer.

My next question is for Mr. MacKay.

We've been provided with information from Stats Canada that the revenues of the music publishing industry in Canada have almost doubled. From 2010 to 2015, they doubled—I don't know what they are currently—and during that time, the income of people in the industry also rose, to the exclusion of musicians and singers. We've been given some evidence here about the exclusion of musicians from works like music videos, for example, or television shows.

Would you say that is directly correlated to that, or are there other examples of why musicians and singers have been left out of the rise in income that the other members of the music industry have not?

Mr. Ian MacKay: Certainly the two exceptions that I talked about, the $1.25-million exemption and the definition of sound recording, contribute to that, because the use of music in audiovisual media is increasing. People are consuming music through YouTube, and increasingly through audiovisual means, rather than audio only.

If we are not able to collect royalties on that on behalf of musicians, whereas my friends over at SOCAN are able to do that on behalf of composers and publishers, then they will continue to see the increased collection of royalties on those uses, whereas we will not be able to.

Mr. Dane Lloyd: Would you say that, as it is, the current regime is quite lucrative to certain groups of people in the industry, but for the musicians it seems to be very negative. It's not providing them the growth.

Mr. Ian MacKay: It's exempting them from being paid on it entirely, and they're the only group that are being exempted from being paid on these uses. Or, in the case of radio, they're taking a reduced rate on these uses. As I mentioned before, given that the money that we collect is distributed at source, 50% to the artist and 50% to the sound recording owners, this is money that is going directly to the musicians.

It would make a very direct difference.

Mr. Dane Lloyd: Are you saying that the radio exemption disproportionately harms the musicians as creators, as opposed to the sound creators, or that they're both affected at the same rate by the exemption for radio?

Mr. Ian MacKay: They're both affected at the same rate, because they participate 50% in the income.

Mr. Dane Lloyd: Thank you for that clarification.

Ms. Solange Drouin: If I may, I'd like to add something about the rate of the publishing revenues. I would submit that you should take all of the revenue of the sector into account. It's clear that publishing revenues are increasing, but at the same time there's other revenue that is dropping as rapidly as publishing revenues are rising.

You have to look at the whole industry if you want to have a clear picture, because if you look only at one point, sometimes you don't have a clear sense of what is going on. As I said in my speech, in Quebec, we experienced a 72% loss in sales, and we're still there.

It's a huge problem. You have to take everything into account.

● (1620)

Mr. Dane Lloyd: I am out of time, but thanks for that.

Ms. Solange Drouin: Sorry.

The Chair: Thank you very much.

Before we continue, Ms. Bouchard, you were referencing some studies.

Would you be able to forward them to the committee, please?

Ms. Lyette Bouchard: Certainly, yes.

The Chair: Thank you very much.

Mr. Masse, you have seven minutes.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

Thank you to our witnesses for being here.

You have probably answered a lot of these questions a number of times, so I appreciate your patience, but I think it is important. We have heard a lot of testimony from artists and creators that there seems to be a lot of money out there, but they're not receiving it.

With regard to the $40 million or $42 million that you've arrived at, the gap there—

Ms. Lyette Bouchard: You're referring to private copying?

Mr. Brian Masse: Yes.

How do you determine which artists and what percentage they get of that, and so forth, because the first thing I'm going to get is a request for an explanation? How do you even know who has been pirated more than others and how it's divided up?

If you're saying on the one hand that this is a critical part of how to stabilize artists' lifestyles and creativity right now, my concern with that being seen as a solution is what happened in the past with the effort to tax memory cards. There are several problems with that, but the most important one is that they diminished in value quite significantly. You have to take into account the depreciation that happens in the marketplace with any device subject to the remuneration of whatever you want to call it, a tax, a levy, a fee, or whatever you're getting back. You're making it either dependent upon a fixed fee at a particular date in time, or you're always trying to come up with the $40 million.

How do you get to the $40 million? How does it affect local artists, and how is it determined? I would imagine that some artists are getting ripped off more than others, depending on their popularity.

Could you shed some light on that? I'd appreciate it.

Ms. Lisa Freeman: Just to take those two questions that I think I hear you asking, the $40 million is our approximation based on sales volumes. Our revenue depends on what the levy rate is set to by the Copyright Board—

Mr. Brian Masse: Yes.

Ms. Lisa Freeman: —and the sales of media or devices. Looking backwards at sales of smart phones and tablets, which are now used for copying music quite extensively, we just did the simple math. But certainly, as we said, the rate itself would be established by the Copyright Board with regard to evidence on the extent of the use of those media and devices for copying music. The rate gets set, the sales are what they are, and that's what determines the revenue. We're just trying to give a sense of one way of looking at the impact of not having maintained a technologically neutral levy regime.

Mr. Brian Masse: What does it translate to? Say it's an artist in my community of Windsor West, what does that $40 million mean for them?

Ms. Lisa Freeman: Right.

Mr. Brian Masse: What do they get out of it in terms of fixing...? I'm hearing this is a response to lost income and to support the arts and culture in—

Ms. Lisa Freeman: If I may say—

Mr. Brian Masse: Yes, of course.

Ms. Lisa Freeman: —we need to be clear that what we're talking about here is the use of intellectual property. We have to decide as a country if we want to remunerate the rights holders for the use of their work. If we do, there are lots of ways we can do it. The private copying regime is essentially the best system that anyone in the world has come up with to best approximate the value of that use of the right is. Some people talk about it in terms of lost income, but, frankly, it's income that's earned by rights holders in intellectual property for the use of their work. I've been trying to come up with a good analogy. I'm not sure how good this is, but I'll try it out on you.

Mr. Brian Masse: Yes.

Ms. Lisa Freeman: For instance, I pay Bell for my Internet services at home. I also pay Bell for my mobile network services. I also pay Bell for my television services. Those are three different services, three different uses of Bell's service offerings that I consume, and I pay separately three times. Because I pay for my Internet service at home, it doesn't mean I've already paid Bell and that I don't, then, need to pay them for my mobile network services. Similarly with rights holders, copyright is a bundle of rights, and every stream of income from a copyright is essential to cobble together, hopefully, a living so that you can continue to create and produce and thrill Canadians and the world with your work. With respect, private copying levies are payment for a service, for that service that's different from any other use. So, yes, we should get paid when our work is streamed. We should get paid when our work is used in audiovisual works. We should also get paid when people make private copies for their own use, because if the copies didn't have value, then no one would make them.

● (1625)

Mr. Brian Masse: Yes, I get that. The problem that I hear, in terms of the response, is that, for example, if everybody speeds, then we should just divide up the speeding tickets from everybody, because if you actually buy this device, you're a law-abiding citizen who has an interest in providing this. For example, we have a lot of seniors who are transitioning to personal devices. I would be interested to find out their habits. I would suspect they're doing less pirating. I know from the work we've been doing on my digital rights policy, they're just getting into using digital devices for basic services and so forth. They use it in a much more limited way, for a very specifically scoped activity, whether it be for an online service or whatever, and they end up paying the cost for a general problem. So it's balancing.

Perhaps you have a comment on that. That's just one of the things that—

Ms. Lisa Freeman: Certainly.

Every medium, every device, that has been levied around the world, is used by some people and not by others. It's used for music copying. It's used for other purposes. As I say, if we agree with the principle that there should be some form of payment, we simply need to come up with the best possible way of making that happen, so that, first of all, we come as close as we can to having the users, who are making the copies and benefiting from that right, being the ones paying the rights holders; hence, our preference for a levy system, as opposed to a government fund, for example.

Mr. Brian Masse: Yes.

Ms. Lisa Freeman: I'm sorry. I've lost my train of thought.

Ms. Lyette Bouchard: Perhaps I can add something.

Maybe I'll speak French. It would be easier for me.

Mr. Brian Masse: Yes, of course.

[*Translation*]

Ms. Lyette Bouchard: Tablets and smart phones are subject to a multitude of levies, whether it be for Bluetooth technology or other applications. Many people, however, never use those features. Even though they never use the Bluetooth function on their tablet or smart phone, the company who designed the technology is still compensated when the device is purchased. These types of devices are subject to a host of levies, so the logic is similar.

[*English*]

Ms. Lisa Freeman: I'd add as well that one of the categories of users of blank CDs who don't copy music has been businesses. There are churches and numerous groups that have been able to work with CPCC through a zero-rating program. If there are categories of users who categorically don't use the device for copying, there are systems in Canada, as in other countries where there are levies, where we can work with those groups to exempt them from the levy.

The Chair: Thank you very much.

We're going to move to Ms. Ng for seven minutes.

Ms. Mary Ng (Markham—Thornhill, Lib.): Thank you, everybody, for coming. Certainly you are bringing us a lot of learned understanding about the business.

I'm just going to pick up on levies. You're proposing a levy on the actual device or variety of devices that might be out there. Consumers would pay through the purchase of the device, and a portion of that would then go to the creators. Beyond the levy, is there any thinking about a remuneration scheme similar to Spotify's? With Spotify, you have artists or musicians who have negotiated with Spotify and are then remunerated and compensated for consumers' use of their music.

Is there any recommendation that you would have for us around that kind of consideration? I ask this because, even in this short period of time, technology has rapidly changed. Is it really just simply, aside from what a remuneration scheme would look like, that by making it also technology-neutral, both of those things together actually cover it?

● (1630)

Ms. Lisa Freeman: I'm sorry. I want to make sure that I understand your question. Are you asking whether there's a way to compensate for private copying that looks more like the compensation for a streaming service?

Ms. Mary Ng: Yes, or are they just that inherently different?

Ms. Lisa Freeman: Right. I guess the defining feature of the private copying regime is that copying is inherently private. We can never know. We can't control it. We can't directly license these copies. That's really the problem that is solved by the levy regime.

Again, we're trying to come as close as we can to having the users pay, but this is precisely the category of copying that we can't know about that is private. We have to use data and logic to compensate as closely as we can without having a direct relationship with those users.

Ms. Mary Ng: Given the advent and the changes in technology being as rapid as they are, if we do that, will that suffice?

Ms. Lisa Freeman: The other aspect of this is that the regime is fairly self-correcting. We apply for tariffs on a year-by-year basis.

Ms. Mary Ng: I see.

Ms. Lisa Freeman: Again, depending on what evidence and what technology there is, that would certainly affect our ask and affect the evidence brought by other groups as well to the public proceedings in front of the Copyright Board to be weighed.

Ms. Mary Ng: Most of you have recommended that the duration for copyright be extended from 50 years to 70 years. Can you help us understand for your respective industries who would be the beneficiaries and where those tangible benefits might be?

Mr. Gilles Daigle (General Counsel and Head of Legal Services, Society of Composers, Authors and Music Publishers of Canada): They would essentially be the heirs or descendants of the creators and publishers of the musical works created by the authors in question. From our perspective, this should not be a controversial issue. We're essentially asking for the same treatment for our members, who ask us, "What is it about us Canadian creators? Are we not as worthy as our peers in the United States or Europe, whose works are protected for 70 years? Why not us?"

The 70-year term has been around for literally decades in other jurisdictions, so it's a matter of recognition of the talents of Canadian creators. I think it's also a recognition of where, in our view, Canada should be internationally on this issue. We want to be with our peers, not with what we consider, quite frankly, laggard jurisdictions that have very little interest in these intellectual property issues.

Mr. Eric Baptiste: Perhaps I can add to this.

I believe SOCAN has about 5,000 publisher members. Most of them are small to extremely small businesses. The copyrights they control that creators have asked them to administer or promote are their assets. The shorter duration of the Canadian term of protection penalizes them in terms of the valuation of their assets compared with other publishers from other countries.

So we would be enabling them to increase their value so as not to be prey to foreign publishers, for example, who want to take over the catalogue because it is undervalued. It's the economic value of small businesses that make up the Canadian ecosystem that's also at stake there.

● (1635)

Ms. Mary Ng: Thank you.

I'll share my time with Mr. Baylis.

[*Translation*]

Mr. Frank Baylis: I'd just like to follow up on my earlier discussion with Mr. Baptiste.

Do you have any actual examples of the charitable exemption being abused by organizations that are charitable in name but make money in reality? I'd like some actual examples to help me better understand what you mean.

Mr. Eric Baptiste: Of course.

I'm going to let my colleague Gilles Daigle answer that.

Mr. Gilles Daigle: I'm not here to point the finger at specific organizations.

Mr. Frank Baylis: You don't have to name names.

Mr. Gilles Daigle: The Montreal jazz festival, a very popular international music festival, pays us royalties, as it should.

That isn't the case with other large festivals, including here, in Ottawa, or even in Toronto or Vancouver. Those festivals are registered as charities for tax purposes. When we come knocking to collect the levies applicable to their events, they cite the exemption in the Copyright Act. Keep in mind we are talking about music festivals that, in some cases, go on for days and depend on access to music.

Mr. Frank Baylis: Let's say, for instance—

[*English*]

The Chair: Sorry. We'll have to get back to you.

[*Translation*]

Mr. Frank Baylis: Very well. We'll continue the conversation another time.

[*English*]

The Chair: I need to make sure that everybody gets their questions in.

We'll move to Mr. Jeneroux.

You have five minutes.

Mr. Matt Jeneroux: Great. Thank you, Mr. Chair.

Thank you, everybody, for being here today. It's a pleasure to hear your testimony and also to have you here in front of us.

I do want to touch on the FairPlay coalition. We've had a number of individuals in front of us who've made their opinion known as part of the coalition, or who have strong opinions with regard to the coalition's message.

To perhaps all four witnesses, I'm curious about your thoughts on their proposal to create an industry-led board that would advise CRTC to block access to websites they've deemed as perpetuating piracy.

Mr. Baptiste.

Mr. Eric Baptiste: Sure, this remains an issue. It is maybe not as central as it used to be a few years ago before streaming services opened shop in Canada. There was a vacuum in this country for a while, and we developed, as a result, an unhealthy appetite for those websites that supply unlicensed music. Nevertheless, even with reasonable subscriptions, it's still tempting for some people, obviously, to go to free, to no cost.

Any time a site or a service says that it's not technically possible, it has been demonstrated many times that for other reasons—protection of children, etc.—suddenly it becomes possible. If there is one element and one area of business where owners have total control, it is the Internet and websites. They know exactly what every person is doing on their sites. If I do this, they know. They know; I've seen it.

It would remain something important to create a healthy ecosystem even for those significant businesses like Spotify, Apple Music, or the new Google YouTube service that will launch soon in Canada. It's about a level playing field. It's really hard to compete with free. It's really hard to compete with organizations, companies, that provide services that are based on theft and piracy, so we would support this.

Ms. Solange Drouin: We are part of the fair play coalition because we think we have to put in place everything we can to face every aspect of the problem we have in the music industry.

As Lisa said earlier, it's all the actions put together that will make a difference, so we really think we should do something about piracy, but while doing it we don't mean not doing something else. We have to do all those things to make a difference.

That's why we support and we signed that initiative.

● (1640)

Ms. Lyette Bouchard: CPCC was not involved in this coalition, so I will leave it to the people who are a part of that coalition.

Mr. Matt Jeneroux: Mr. MacKay.

Mr. Ian MacKay: I wouldn't really have anything to add that Solange and Eric haven't already raised. I think they have answered it well.

Mr. Matt Jeneroux: To both Eric and Solange, the proposal, in my opinion, would not involve the courts in the blocking process until after a website has already been blocked, in which case accused site owners would be filing an appeal. It seems to be that then there is a relative lack of that judicial oversight. You're obviously comfortable with that lack of oversight?

Ms. Solange Drouin: It's a proposal on the table. I guess it has to be discussed. We think that to start a discussion on that....

I guess we won't find...and it's the same with private copying. There is a big issue, and it's important that we do something and we start to do something about it.

As we see it, we've put something on the table and now the CRTC has asked for comments. We're not stuck to this proposal, but at the same time we think it is a good foundation to start a discussion on that. It could be modified if somebody has a better idea, not just to oppose it, but to have another idea, another better idea, so we will be open to discussing it, but at the same time we were 25 groups around the table to discuss it, and that's the best we have ended up with.

[*Translation*]

The Chair: Thank you.

[*English*]

We're going to move to Mr. Sheehan. You have five minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much for your testimony thus far.

In the last session I had asked a question that we've been posing to some of our witnesses that, when we're doing these studies, we want to know not just how it may affect large urban centres but how this may affect, in your view, rural. Canada is rural, and there are performers and a cultural economy in all those areas.

I'm from northern Ontario. It could be eastern Canada, Quebec, the Prairies, or B.C., but how would these changes you're suggesting improve those particular areas of Canada as well?

Does anyone want to take a stab at that?

Eric.

Mr. Eric Baptiste: One measure that would benefit every company and individual in the Canadian music ecosystem is an extension of term. It doesn't matter whether you live in Toronto or in rural Ontario, Quebec, or B.C., each of the 150,000 members of SOCAN, publishers and creators, would benefit from that.

I also believe that making private copying tech neutral—that is, priming the pump that would enable once again those revenues to flow through to all stakeholders in the music ecosystem—would benefit those creators in genres that don't benefit that much from the boom in streaming services. The point has been made, I believe by Solange, that streaming services benefit a narrow field of global superstars. Many people in Quebec don't benefit from that. Country music stars in Canada don't really shine on streaming services. That is something I say every time.

To name those examples only, by having money flowing to the private copying regime and looking at what people copy on their devices, I'm sure there would be more country music, for example, than what is consumed in sales. Spotify, those companies and creators, would benefit from added revenues, to name a few examples.

Mr. Terry Sheehan: We just finished a study on broadband, and one of the challenges with streaming in rural Canada is that sometimes the streaming isn't really necessary in all parts of Canada. There's a little inequity there.

Mr. Eric Baptiste: That's perfect. If you don't stream that much in rural Canada, and you enjoy music, you're probably likely to copy more music, to cache more music on your devices. If you want to stick to the stereotypes, and you enjoy your country music, then more country music will be stored locally on that iPhone in rural Canada, and therefore will benefit more from private copying. It's one of those corrective measures that would help.

The point has been made as well that, among the things we are suggesting to Parliament, there is no silver bullet. There's not one thing that would change the landscape overnight. It's a series of corrective measures put together that would significantly improve the situation for all Canadian creators, publishers, record companies, and performers.

We're all in this together. Every segment of this industry needs a little bit of help to adjust in this transition from a physical product, an analog-based economy, to a digital on-demand streaming economy.

● (1645)

Mr. Terry Sheehan: We heard a lot of testimony before about the Beijing treaty. I want to know your opinions on the Beijing treaty. It came in around 2012, and I think it was last studied around 2012 as well.

Do you have any comments about the Beijing treaty?

Mr. Eric Baptiste: What about exceptions for the Beijing treaty?

I believe it's one of the most recent WIPO, World Intellectual Property Organization, treaties that addresses people with visual or hearing problems. I'm not a lawyer, but I believe that we need to make sure that every Canadian has access to cultural goods and entertainment content irrespective of his or her circumstances. We believe in exceptions when they are based on justifiable differences. When they are based on different situations, they are perfectly admissible.

What we have issues with is the kind of the laundry list of exceptions that has been introduced year after year. Regrettably, there were a bit too many in 2012. The Canadian Copyright Act makes it the world champion of exceptions. To the best of my knowledge, none of us here has any issue with the Beijing treaty itself.

Mr. Terry Sheehan: Okay.

Thank you very much.

The Chair: Thank you very much.

Mr. Lloyd, you have five minutes.

Mr. Dane Lloyd: I believe, just to clarify the treaty in regards to access to copyright for the disabled, that it is the Marrakesh treaty. They are very distinct. The Beijing treaty is about another group.

Mr. Eric Baptiste: I'm not a lawyer; I qualified my answer.

Mr. Dane Lloyd: That's fine; I'm not a lawyer either.

This question is for you, Mr. Baptiste, and also you, Mr. MacKay.

Mr. MacKay, you mentioned in your testimony that there are a number of unnecessary and outdated subsidies. You mentioned the radio subsidy and certain other things.

I was hoping that you could also comment on the government subsidies that are passed along to creators. Do you believe there is any room for reforming those subsidies? Are there some subsidies that aren't being used in the way they were intended, or they aren't being used effectively? Are there some subsides that have been found to be very effective in helping the industry?

Mr. Ian MacKay: I can only really comment on the ones that I was dealing with, and those are subsidies that are preventing rights holders from getting paid for the commercial use of their music. It's a subsidy for the industry at the expense of the creator. They're ones in which commercial use is being made of the music and the sound recordings, but it's not being compensated.

Mr. Dane Lloyd: Okay. Thank you.

Ms. Solange Drouin: On that issue I can help you.

There's a Canada Music Fund. We can access it. The author can access it. All of the music industry can access that fund. That fund was put into place in 2002, and despite how bad it has been in the music industry for the last 15 to 20 years, the amount of money in the fund has remained the same since 2002. Just to let you know. It's less than $30 million for all the artists, all authors, and all labels in Canada, coast to coast to coast. It's not....

● (1650)

Mr. Dane Lloyd: But I've seen recently the Ontario government announce in 2013 some $45 million to help producers in the province of Ontario.

Maybe this question would be good for Mr. Baptiste. Are you finding that the government assistance...because we're being asked to consider putting levies on consumers to increase revenues for creators, yet the government's also being asked to provide more taxpayer support for the industry.

I'm just wondering, is there something wrong with the amount of money that's being given by the government in this case, or are there ways that that can be changed to better suit taxpayers?

Mr. Eric Baptiste: We're not here to ask for subsidies or funds. The interim proposal in the private copying submission is just that, an interim or bridge measure. In an ideal world, what you would like Parliament to do is to just change the language to make sure that the Copyright Act has a private copying regime, as intended in 1997—but obviously, a bit awkwardly—so that it would become tech neutral and would be able to deal with any means Canadians use to copy music onto devices, or whatever the world of technology will throw at us, to your point.

Mr. Dane Lloyd: Thank you.

I'll pass it on to my colleague.

The Chair: You have a minute.

Mr. Matt Jeneroux: Great.

The CRTC enforces quotas for Canadian content, and those quotas are often based on...CBC radio, and how much is played on Canadian media. I guess what I'm looking for is, how do popular Canadian artists who get play on American stations, and who are popular in the U.S. and around the world—the Shawn Mendeses, the Justin Biebers—fit into those quotas the CRTC puts into place?

Mr. Eric Baptiste: That is a very important point. We are enjoying an amazing time in Canada. We have global superstars who dominate the music scene, and most people here would share my view that the Canadian content elements put in place have helped create an environment that is conducive for these green shoots to take root before going to external markets. If you don't have a market at home that enables you to test drive your music and talent, it is much more difficult to start in the U.S. or Europe.

We are very proud of the fact that these artists, creators, and SOCAN members benefit from those regulations, provided that the criteria—which are quite smart and flexible—are met. It is a mixture of whether you're Canadian, or whether the sound recording was fixed in Canada, and so on, and whether these criteria are met. They are mostly met. That's a key difference.

Some members have asked about the growth of the pie, noting that some artists or creators are not feeling the growth themselves. Most of the growth has come from digital services, like streaming services and user-uploaded content, which have no such regulations. It's the usual free-for-all. We are a very open country. We are a country close to the United States, which has the most powerful entertainment industry in the world. We are open to Europe as well.

Because we distribute the money we collect according to actual usage, if we say that 35% of content on Canadian radio has to be Canadian, then at least 35% of the royalties we collect will go to Canadian rights holders. If on a streaming service there's no such regulation, and only 3% of the music consumed there is Canadian—I'm not giving you exact numbers, although we have them—you don't need to be a specialist in math to understand that the money collected goes to other creators in other countries.

It is also imperative to ensure, through broadcasting regulation and not copyright regulation, that Canadian content is at least discoverable on those services. You cannot force people to click on a clip or listen to a song. People are free to choose; it's not like a radio station. However, Canadians should at least know about the availability of Canadian music so they can decide whether they want to listen to it or not. It's a key element that needs to be taken into account, and it explains some of those apparent discrepancies. They all have very good explanations.

● (1655)

The Chair: Thank you.

Mr. Jeneroux.

Mr. Matt Jeneroux: Thank you, Mr. Chair.

I'd just like to follow up on some of his testimony. As a suggestion to you and the clerk, it may be interesting to invite an artist or two who has experienced this, and perhaps somebody who has a label of their own. I'm sure a number of us have names coming to our minds. Maybe Drake or somebody like that?

The Chair: Drake? Yes, sure.

Mr. Matt Jeneroux: He might be somebody who interests you, Mr. Chair.

Voices: Oh, oh!

Mr. Matt Jeneroux: On your cellphone.

I'm sure there are lots of suggestions out there, but I think inviting somebody along those lines might be worth pursuing at your end.

The Chair: Thank you very much for that intervention.

We have discussed this in committee. Even though we're meeting with a lot of organizations, it would be interesting to have artists with that type of influence here to answer questions. That would be helpful, so if you know anybody you would like to throw our way, send suggestions to the clerk.

Mr. Eric Baptiste: I've got my CDs, and right now I understand that the Beijing treaty is about audiovisual performances. To the best of my knowledge, we have no issue in the music business with the Beijing treaty. Maybe other witnesses you've seen here from the TV or movie industry have issues with it, but it's never been raised as an issue at SOCAN, for example.

The Chair: Thank you very much.

Mr. Longfield, you have five minutes.

Mr. Lloyd Longfield: Thank you, Mr. Chair.

Thanks for a wide-ranging discussion here.

I come from a distribution background, a different type of distribution—industrial distribution. I'm trying to understand the efficiencies in the distribution system where we have SOCAN working on certain aspects. I have seen on your website the Layla system and some new digital tools that publishers can use to track income and distribution, the operational costs of SOCAN and how those might have changed over time.

Mr. MacKay, I'm thinking of how you're working with bilateral agreements with other countries, helping the artists get paid for their music. Of course, 80% of the revenue is going to the members, according to your website, but you still have your own operating costs.

CPCC also has operating costs.

How do we compare with other countries in terms of our support of the industry? Do we have a similar layered approach similar to other countries? Could you comment on how it might compare with the book-publishing industry, as an example?

A voice: [*Inaudible—Editor*]

Mr. Lloyd Longfield: I'm sorry, Solange. I wasn't trying to cut you out.

Ms. Solange Drouin: No, that's okay. It's no problem.

Mr. Eric Baptiste: You did your homework, and thank you very much for your interest.

Yes, at SOCAN we believe very much in transparency and accuracy. We are obsessed about data points. We believe we hold, through our efforts, one of the world's best databases of sound recordings. We control the information of about 66-million sound recordings, 27-million songs, etc.

Layla is an effort to introduce drilled-down information to enable clients of the reproduction rights service, which we own in Audiam, to really follow in real time how much money has been made on YouTube, on Spotify, and Apple Music. We believe in that. We want to make that available to everyone.

Technology is not the enemy here. Technology is a disrupter. Technology has created challenges, and we believe technology is the solution to problems caused by technology. By having more transparency and by investing in good systems and data, we can automate most of the matching between reports we get from, say, Spotify or YouTube, with the information we have. We can identify most of the long tail at reasonable costs.

SOCAN's cost is about 10%, so 90¢ gets returned to the members. We are one of the most cost-effective collectives of this size in the world, and our costs over 10 years in constant dollars have actually gone down, so technology is really helpful.

● (1700)

Ms. Lyette Bouchard: Maybe I can just add that CPCC is an umbrella collective. We collect the money and then distribute it to the members of our collective. It's comparable to what is done in other countries.

Correct me if I'm wrong, but SORECOP in France works the same way. It's an umbrella collective. It receives the money, the levy, and then distributes to the different representatives of authors, publishers, sound recording companies, and artists.

It's comparable to the other systems in Europe, for instance.

Mr. Lloyd Longfield: Okay.

Mr. Ian MacKay: For Re:Sound I can echo some of what Eric was saying in terms of the importance of data. I mentioned before that we had fought very hard before the Copyright Board to get full, 365-day radio logs from radio stations before we got a sample.

Mr. Lloyd Longfield: Yes.

Mr. Ian MacKay: We're getting a lot more data. We need to manage that data much more cleverly and cost-effectively.

We have then worked with organizations like Bell Canada, the broadcasters, in making sure that with the ISRC codes, the standard identifiers, the labels used are getting from the labels to the radio stations, and the radio stations are ingesting them automatically. They used to take what they received from the record companies, manually transcribe it, and then send us logs based on that. They are now doing it all automatically, so we're getting standard identifiers back from the radio stations. It closes the whole loop and allows us to do things much more efficiently.

Mr. Lloyd Longfield: Thank you.

With only about 20 seconds left, does the act encompass this? Has it kept up with the distribution systems that are being used? Are there things that the act doesn't cover that we need to consider?

Mr. Eric Baptiste: I don't believe there's an issue there. We have more of an issue in licensing because of the myriads of exceptions. Distribution is the thing we do. We care deeply about this. Our members, my 150,000 or so writers and publishers, would be mad at me if we didn't try very hard to be as precise, as accurate, and cost-effective as possible. It is our obsession.

Mr. Lloyd Longfield: Also, the barriers to entry for the artists are a lot lower now, so there are more artists. I see that 40,000 businesses were licensed to play music in 2008. Now there are 100,000, so the market is growing. It's just that we're not getting the money to the right people. The market needs adjustment for the artists to benefit from the growth in the market opportunities and the low entry barrier to getting into the market.

Mr. Ian MacKay: Yes, and that growth in the number of businesses, if I'm getting your numbers right, is often in the very small businesses, the little individual users of music. Yes, we're getting more of them licensed and paying, but they're paying tiny amounts versus the radio stations and the TV companies and everything. That would make a huge difference. That's where you're talking millions of dollars in royalties that currently are sheltered and not paid for, as opposed to $20 here, $30 there.

Mr. Eric Baptiste: If I may say, fees are pretty important. One example at SOCAN is international revenue. We have agreements with a 100 organizations around the world. We received $76 million last year from around the world—from the U.S., Germany, France, and the U.K. Our fee on this is zero. We believe that because our colleagues in other countries have already done most of the work, we should not levy an extra fee on these guys.

We care very much about how much we spend to do what we do, and we don't want to layer fee after fee. We are in a cost-effective business area.

Mr. Lloyd Longfield: Terrific. Thank you very much.

The Chair: Thank you very much. We're going to move to Mr. Masse. You've got two minutes.

Mr. Brian Masse: One of the things I've seen in my community is that technology also was behind the times in terms of.... DIRECTV was a good example. I'm not sure if you're familiar with that. Really what it was about, though, was a better product of technology to prohibit some of the copying that took place. There was a big push to crack down on the consumers, but at the end of the day, it became about protective devices and that.

Do you have any comments on the production of technology and devices and the easily accessible copying that can take place via some of our technology? I'm curious to hear if you have any comments on that because vinyl, obviously, was very difficult to copy. We got into tape and CD productions that lend themselves to easily accessible copying, and digital perhaps is even easier in some respects—more frustrating for others.

● (1705)

Mr. Eric Baptiste: Generally speaking, we welcome more use of music. The more music is being listened to and enjoyed, the better for us, for our members, our creators, our publishers, our record labels.

The only thing we want the committee and Parliament to keep in mind is that the expanded use that should be easy for consumers has value. We just want our creators, the companies that we represent—not us, the collectives are not important—to benefit from that increased value in a way that is commensurate with the enjoyment it is creating for Canadians, and the fact that businesses can be built or expanded based on those technologies that bring more music in a more ubiquitous way to Canadians.

Mr. Brian Masse: Do you have any comments about sharing on multiple platforms? What's your position on that? For example, if you purchase a song, what's your position on being able to play it, for example, on a PlayStation, an iPad, or any other device? What's your position with regard to multiple platforms for the same music, or movie, or book, or anything else for that matter?

[*Translation*]

Ms. Lyette Bouchard: When it comes to private copying, one thing is clear: we want artists, authors, and music producers to be compensated for additional copies that are made. Of course, when someone buys a song, the levy and any other amount owed to rights holders have been paid. The private copying levy applies to any extra copies that are made on any medium. That's what we want the regime to embrace.

Are you asking about making copies on different devices?

[*English*]

Mr. Brian Masse: I'm curious about your position. Say you purchase a song. You purchase a version of *O Canada* from an artist. Do you agree with the purchaser then being able play it on multiple platforms, or just one platform, with their paying for different platforms?

Ms. Lisa Freeman: If I may add to what Lyette said, our members at CPCC—again, we're an umbrella collective—are very clear that their preference is to license use as much as possible. Typically, if you are consuming music through a legal service, you are also acquiring the right to make various copies of those works. The private copying regime is for those copies that can't be licensed.

Mr. Eric Baptiste: I believe it's a market issue. If I understand your question correctly, it's about portability. It's about interpretability. We believe that the marketplace is better suited to resolving this issue. As somebody who is of a certain age now, I have bought some songs in vinyl form, and then on CD, and then the download, and now I'm enjoying the same songs by streaming services.

Consumers are able to decide whether there's value for them if they have to repurchase or—

Mr. Brian Masse: That's what I'm trying to get at. Do you believe in the portability of a purchase versus actually having to make a separate purchase per type of media. So if you bought it on vinyl, and then if you want to listen to it in digital format, then you should buy it again. Is that your position?

Mr. Eric Baptiste: I did. We all did buy them again, and we were happy to have what we felt at the time was the ease of use and the sound quality of the CD. Then better vinyls were issued, and some people—not me—bought other vinyls more recently that are better quality than the ones manufactured in the seventies or eighties.

It's not a SOCAN issue. We deal with performing rights, so this is not directly related, but my personal opinion would be that it's a market issue and that we should let the marketplace resolve it.

Ms. Solange Drouin: I would like to add something. I have read many witnesses' briefs. We don't want to restrict the usage of music. I guess it's clear from what Eric said that the more we use music, the better. It's just that we want to be compensated for it. We want to enter into an agreement. We don't want to restrict music. We want the music to be all over the place, but at the same time, we want to have the tools to go and get the money where the money is. There's a lot of money in the music industry, but it's not in the hands of the music creators; it's in the hands of the Internet service providers, the music services.

There's a lot of money in the music industry, but it's not in our pockets. We should get our fair share from all of these businesses that make money off our products.

● (1710)

Ms. Lyette Bouchard: This is why we need to fix the Copyright Act, which is now, as Solange said, like Gruyere.

We have to fix those holes, make sure to be compensated, and leave aside those exemptions that hurt the creators.

The Chair: Thank you very much.

We have time for seven minutes here and seven minutes there. I gave you your extra time.

Mr. Brian Masse: Yes, you did. You have been fair, Mr. Chair.

The Chair: Mr. Baylis, you have seven minutes.

Mr. Frank Baylis: Mr. Chair, I will share some of my time with Mr. Longfield.

First of all, could I ask all four of you to provide us with some data? I don't need it right now. I would like to know how much your revenues have changed over the last 20 years. If that's feasible, could you go back 20 years and show us, "This is what we got, and this is over the years", so we can see the progression and see how it has changed over a 20-year period?

Could you also include your expenses? I would imagine your expenses would have changed as well. If you can imagine two charts you could provide to the clerk, that would be very helpful.

We're going to finish our example, and then I'm going to pass it over. If I understood, Mr. Daigle, the Festival internationale de Jazz de Montréal is a big festival. They use music, and they compensate the artists when the music is used. Another festival in another city might call itself, say, the XYZ festival of X town, or X festival, and they say, "No, we are a charity, and we don't want to pay."

How do you propose to fix that?

Mr. Gilles Daigle: There are two ways.

First of all, there is this notion of activities that are made with, say, a "motive of gain". Without getting into the details, it's an expression that has been used by the Supreme Court of Canada in analyzing and determining exactly what constitutes a charitable activity. We think that will clarify what is intended by that exemption in the act.

The second, and more important way—because this seems to be the biggest part of the problem relating to that exemption—is making it clear that merely acquiring charitable status, either for income tax or other purposes, or under statute, does not automatically make you eligible for this exemption.

Mr. Frank Baylis: For example, someone could say, "I run this festival and I pay myself $500,000 or $1 million a year, but it's to charity, so I rake off all the 'non-existent' profits."

Mr. Gilles Daigle: Exactly or, quite frankly, even more simply than that, they'll just waive the charitable registration they've obtained from CRA and say, "That's the end of the matter. I qualify."

Mr. Frank Baylis: Okay.

Mr. Gilles Daigle: That's what we need to straighten out. It's a clarification. To be clear, we're not suggesting—

Mr. Frank Baylis: You don't want to stop churches that are having something—

Mr. Gilles Daigle: Absolutely not. As Eric, I think, well said earlier, we're the first to come forward and, in cases even where the exemption may not apply, donate our licence for these causes. So it's just a matter of—I always hate to use the word—a loophole, but perhaps this is a good example.

Mr. Frank Baylis: I'll pass it over to Mr. Longfield.

Mr. Lloyd Longfield: I want to come from the business side for the artist again. We heard in the last session about the negotiating power of the artist and how the artist has power to negotiate in certain cases and then they come to an exemption, and then they don't and then they do. You have artists entering the marketplace. As I said, it's easier to enter in terms of self-publishing or you can have a recording studio more easily than you could have had back 30 or 40 years ago.

Is the opportunity an artist has to negotiate for themselves, the negotiating power of the artist, something that we need to look at with the act? We have the website Canadabusiness.ca now for small businesses. I'm thinking of the artist as a small business. In terms of the act, how do we support the small business person who is also an artist trying to make a living?

Then I'll share my time with Mr. Lametti after that. He has a question as well.

● (1715)

Mr. Ian MacKay: One answer to that—and this has more to do with the Copyright Board—is that currently SOCAN and Re:Sound can only go to the Copyright Board to establish rates. So even if we're able to negotiate directly with users and work out something that the users are happy with and we're happy with, it still actually needs to go to the Copyright Board. That would be one thing that could streamline things in terms of negotiations between users and musicians.

Currently as well, for equitable remuneration rights that we collect, the musicians don't have any right to negotiate. All they have the right to do is to collect the equitable remuneration afterwards. It's too bad that the act then takes away the value of that right that they get to collect after the fact—not negotiate, but collect after the fact—by putting in these exemptions that then reduce what they're getting that they never had a chance to negotiate in the first place.

Mr. Lloyd Longfield: So the act would work well for the musicians if it didn't have the exemptions in terms of negotiations?

Mr. Ian MacKay: It would work a lot better in that then they would be getting the full value of their work as opposed to getting a discounted rate that's discounted right in the act.

Mr. Lloyd Longfield: I haven't seen the website, but there's no time for that now.

Thank you very much.

Mr. Lametti.

[*Translation*]

Mr. David Lametti (LaSalle—Émard—Verdun, Lib.): I'm going to talk about levies.

What the old regime did was set out an approximate amount for copies for which artists could not be otherwise compensated. People who bought blank cassettes or CDs used them to copy their music.

Nowadays, however, people who buy an iPad or other such device don't necessarily use it for music. What are your thoughts on that?

I, for instance, have an iPad I use for work but not for music. I have other tablets that I use to listen to music, or I use other platforms. The same goes for my cell phone. I don't use it to listen to music.

Not all devices are purchased in order to listen to or copy music. What do you say to that? In the case of cassette tapes, it was safe to assume that, usually, they were being used to copy music.

Ms. Lyette Bouchard: I have a number of things to say to that.

Some devices will never be used by people to copy music. That said, studies and surveys show that people still use those devices to make hundreds of millions of copies of musical works. As I was saying earlier, companies pay for the applications available on the devices. Apple, for instance, pays licence fees to Bluetooth, whether or not the user ever uses the technology on their Apple device.

In terms of private copying, the Copyright Board of Canada looks at all of the data. When it determines the value of the levy, it takes into account how many devices were sold as well as how many copies were made, based on the studies submitted. That is how it determines the value of the private copying levy.

In setting the average levy at three dollars, Europe took into account the fact that not everyone uses the device to make copies, meaning that, if they did, the amount would likely have been set higher. A number of factors come into play when determining the value of the levy.

To answer your question in part, I would say the value that is set takes into account the fact that users like you do not use all of their devices to copy music.

Ms. Solange Drouin: In many other areas of our lives, that's how it works as well. I don't have kids, for example, but I pay school taxes, and I'm fine with that because I know it serves the greater good. There is some equalization at work there, which is very Canadian and that's great.

● (1720)

Ms. Lyette Bouchard: I can give you another example. When you have a phone, you pay a fee for 911 service. Fortunately, I haven't had to call 911 very often in my lifetime, and I'm very grateful for that. The fact remains that everyone who has a phone has to pay for that service.

[*English*]

The Chair: Thank you.

For the last question of the day, we have Mr. Nuttall.

Some hon. members: Welcome back.

Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC): Thanks. I missed you too. I actually thought we were talking about a carbon tax here.

Voices: Oh, oh!

Mr. Alexander Nuttall: You'll be happy to know that there'll be no motions.

Thank you for the presentations.

I just want to follow up with Mr. MacKay. There were a couple of things you said that perhaps you could provide a little bit more information on.

You're looking for a removal of an exemption for radio stations, up to a certain amount. What was that amount?

Mr. Ian MacKay: Yes. Currently commercial radio stations don't pay royalties to performers and sound recording owners on the first $1.25 million of revenue. That's per station, regardless how many stations are in a radio group. If you're a 400 station radio group, you get 400 exemptions.

Mr. Alexander Nuttall: Has there been a study done on the impact on radio stations across the country? I completely understand why you're asking for this and I'm not taking a shot at the rationale behind your request, but I do want to know what the impact will be before putting my name behind it.

I have a riding with an urban and a rural area. It's literally like driving across a border when you're leaving the city. They don't listen to the same radio stations. It's a completely different cultural environment. The impact may be different on the radio stations in that urban area, which has quite a high subscribership, and then, when you go into the rural area, it's lower.

What impact would there be on rural radio stations across the country? Have we looked at how many would be put out of business by this move, if any? The answer may be zero.

Mr. Ian MacKay: Yes, that has been looked at.

Even though the exemption exists, every time the copyright board sets the rate, it continues to set a rate for under $1.25 million, and the rate for under $1.25 million is 1.44% of the station's revenues. Under $1.25 million, the impact on a small station would be that they would now be paying 1.44% of their revenues to pay for the music that makes up 80% of their programming day.

Mr. Alexander Nuttall: It would be, in this new iteration.

Mr. Ian MacKay: It would be, if the exemption is removed.

As for whether or not a study has been done on this as well, the Copyright Board, in the first commercial radio tariff, looked at precisely the question you're asking, and asked, "Can any radio station, from the smallest to the largest, afford to pay the tariff?" That's a big part of what it does, look at the ability to pay, and it looks at that every time it sets a tariff. What it said in its very first hearing was that very clearly even the smallest of stations could pay the tariff that was certified, and that the exemption was based on no financial or economic rationale and was clearly a thinly veiled subsidy. I mean, the Copyright Board looked at this and looked at it from an economic point of view, in terms of whether users can pay, and that was the conclusion it came to.

Mr. Alexander Nuttall: In terms of the $1.25 million, has there been a study into a scale-back of it versus a complete removal? Has there been a study into a phase-in of such a policy?

Mr. Ian MacKay: No, because, as I said, the rates are already so low.

There is a separate exemption—and this may help in terms of what you're asking as well. Community radio stations have a separate exemption, and all community radio stations have an exemption where they only pay $100 per year regardless of what size they are. If you come within the definition of a community radio station, you're not paying royalties, so that does already exempt the truly small community stations—

● (1725)

Mr. Alexander Nuttall: One other—

Mr. Ian MacKay: —and we have no problem with that. We think that should continue to exist.

Mr. Alexander Nuttall: You respect that policy. Okay.

I have one other question—and excuse my ignorance on the subject. Anyone can answer this. When you're looking at satellite radio versus traditional radio, is there a difference under the regimes that are currently in place, or all they all treated as one?

Mr. Ian MacKay: No, satellite radio is separate, and the rates are set separately. There is no exemption in the Copyright Act for satellite radio.

There's no exemption in the Copyright Act for any other type of music user. To what I was saying earlier, it really is not technologically neutral and it favours commercial radio broadcasters—a sort of older technology for distributing music, but still a very important technology—over other technologies for distributing music.

Mr. Alexander Nuttall: It's not direct. It's apples to oranges, then, and it's in favour of the traditional; and so what you're basically asking is that Global—which I think now owns Corus, or maybe I'm mistaken on who owns what, but....

Mr. Ian MacKay: It's in flux. Shaw owns Corus.

Ms. Solange Drouin: There's Bell.

Mr. Alexander Nuttall: Bell, Global, they step up. They get rid of the exemption and they pay fair way.

Mr. Ian MacKay: Yes.

Ms. Solange Drouin: I would suggest or invite you to look at the last report of the CRTC published one week ago. In that report, submitted to Minister Joly, it shows that the radio industry is the most resilient and the most stable media industry, compared to TV, compared to anything else.

[*Translation*]

The industry is still not growing.

[*English*]

However, it is stable compared to the other media. It's a good point.

Mr. Alexander Nuttall: They're not like the local newspaper industry.

Ms. Solange Drouin: They are not, not at all.

Mr. Alexander Nuttall: I think that my friend....

Go ahead.

Mr. Matt Jeneroux: Thank you.

The Chair: Do you have everything you need?

Mr. Matt Jeneroux: Mr. Chair, about 20 minutes ago I made a very formal request that Drake attend the committee. Some were even saying it was a courageous request, but I won't name names around the table. I was just wondering if we could get a bit of a status update on that call. Have we heard back from him yet?

Some hon. members: Oh, oh!

A voice: He promised to call you back.

A voice: He used to call me on my cellphone.

Mr. Brian Masse: He can't. He is working on a *Degrassi High* reunion video at the moment. There you go.

The Chair: We'll get you an update on Mr. Drake.

On that note, I would like to thank our witnesses today for their time, their expertise, and their interest in the subject matter. As you can see, it's something we are deeply engaged in, and it's very important to us. Thank you very much.

Thank you to members, staff, and everybody who's part of this lovely study.

We are adjourned.

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